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Preferred supplier programs for consulting services: An exploratory study of German client companies

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ABSTRACT

Research has recently provided evidence that at least some companies have involved purchasing departments in buying professional services such as management consulting services. Some departments have established preferred supplier programs (PSPs) for consulting services, i.e., programs for consultancies with whom a company seeks to build up long-term relationships. While there are several studies that analyze such programs for suppliers of goods, research on business services is limited. Our aim is to present an exploratory analysis of PSPs for consulting services. Based on a survey of German client companies, we found that the most important reason for establishing PSPs is to reduce costs and transaction costs. Furthermore, our findings revealed that companies with and without PSPs for consulting services apply high significance to relational selection criteria. Moreover, in companies with PSPs, purchasing departments are more frequently involved in selecting consultancies compared to companies without PSPs. Finally, we found that companies with and without PSPs do not differ in their assessment of problems associated with the purchasing of consulting services. The study contributes to research on the purchasing of consulting services by indicating that the consultant–manager relationship should be extended to a service triad, involving purchasing professionals, managers, and consultants. Moreover, we contribute to research on PSPs by extending the focus to PSPs for knowledge-intensive service providers.

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1. Introduction

Recently, researchers have devoted interest to the purchasing of business services by firms (e.g., Mitchell et al., 2003; Selviaridis et al., 2011; Selviaridis and Spring, 2010; Sonmez and Moorhouse, 2010; van der Valk and van Iwaarden, 2011; West, 1997), particularly management consulting services (e.g., Bäcklund and Werr, 2005; Dawes et al., 1992; Höner and Mohe, 2009; Lindberg and Furusten, 2005; Mohe, 2005; Werr and Perner, 2007). The literature has identified two main approaches regarding the purchasing of consulting services. The first approach is a decentralized one, in which functional managers decide whether to use consultancies, which consultancies they hire, and how much of their budget they spend on consulting services (Höner and Mohe, 2009; Mohe, 2005; Werr and Perner, 2005). In the centralized approach, a certain department—e.g., the purchasing department—is involved in the procurement of consulting services, for instance in the selection of

consultancies or in supporting managers in contract negotiations (Werr and Perner, 2007). Both approaches, however, can also be combined, resulting in a “hybrid approach” (Werr and Perner, 2005), in which some stages in the purchasing process are centralized, while others are still the responsibility of functional managers.

While the decentralized approach was until now more widely used by companies, there has recently been a shift to the centralized approach (Bäcklund and Werr, 2005; Freedman and Stinson, 2004; Mohe, 2005; Werr and Perner, 2007). For instance, several large companies authorize purchasing professionals to control billing costs and to ensure that service providers are held responsible for the results of their work (Bäcklund and Werr, 2005; Freedman and Stinson, 2004; Werr and Perner, 2007). Moreover, purchasing professionals support managers in buying processes, from defining the assignment to the evaluation of service providers (Werr and Perner, 2007), so that these professionals are increasingly involved in the buying process.

A measure established by purchasing professionals to reorganize the purchasing of consulting services comes in the form of preferred supplier programs (PSPs) (Mohe, 2005; Werr and Perner, 2007). PSPs are employed for companies' most important suppliers, with whom they build long-term relationships for

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mutual benefit (Dorsch et al., 1998; Halley and Nollet, 2002). Such programs, for instance, entail special contractual agreements for buyers and preferred suppliers that secure a close relationship. A typical characteristic of PSPs for consulting services is centralized management by purchasing professionals instead of decentralization through individual managers (Bäcklund and Werr, 2005; Werr and Perner, 2007). However, while PSPs are a fairly common method of managing relationships with suppliers of goods (Dorsch et al., 1998; Halley and Nollet, 2002; Ulaga and Eggert, 2006), they represent a new approach with regard to consulting services.

The practical importance of PSPs for consulting services is not reflected in the literature so far, since only a few studies have indicated the presence of PSPs for consulting services (see e.g., Bäcklund and Werr, 2005; Werr and Perner, 2007). These studies, however, do not analyze PSPs in greater detail, so we know little about these programs. We argue that there are several reasons why PSPs for consulting services deserve further attention. First, companies increasingly establish PSPs for consulting services (Bäcklund and Werr, 2005; Werr and Perner, 2007) and these programs have the potential to significantly impact companies' purchasing practices (Werr and Perner, 2007). For instance, changes in companies' purchasing practices might influence the well-studied client–consultant relationship (see e.g., Fincham, 1999; Werr and Styhre, 2002) in that it becomes a service triad (Choi and Wu, 2009a,b; van der Valk and van Iwaarden, 2011) involving purchasing professionals, managers, and consultants. Second, this study also contributes to the purchasing literature in that we extend research on PSPs. Although previous studies examined PSPs for suppliers of goods (e.g., Dorsch et al., 1998; Ruben et al., 2007), our research also provides insights into PSPs for business services, which are increasingly used by and have a significant strategic importance for companies (Ellram et al., 2004). Third, the analysis is further important for companies to decide whether PSPs for consulting services might be beneficial for them, e.g., by reducing costs. Therefore, the aim of this article is to present an exploratory analysis of PSPs for consulting services based on a survey of large private companies in Germany.

The paper is structured as follows: in the first part, we review the literature on the purchasing of management consulting services and PSPs to identify gaps and to develop our research questions; subsequently, we describe the methodology of our empirical study and present our findings; and finally, we discuss our findings, clarify the implications of our study, pinpoint its limitations, and describe possibilities for future research.

2. Literature review

Given that the empirical research on the purchasing of consulting services is in an early stage, we conducted a comprehensive literature review to analyze two broad research lines: (1) preferred supplier programmes and (2) the purchasing of consulting services. For both, we included articles published between 1992 and 2011. We used key words to identify relevant articles and searched in three electronic databases, *Business Source Premier*, *EconLit* and *Web of Science*.

Our first search identified articles that had the key words “preferred supplier*” in their title, abstract or key words. We excluded all duplicates and read each article to analyze whether the article dealt substantially with preferred suppliers. Articles that were classified as only marginally discussing preferred suppliers (e.g., mentioning PSPs only once) were excluded. We finally came up with a total of 13 articles for further analysis.

As key words for our second search, we used “management consult*” plus “purchase*” or “procurement”. After again

excluding duplicate and irrelevant articles (e.g., consultancies were mentioned only once during the text), we came up with ten articles. Since our study aims to make a contribution to the literature on the purchasing of consulting services, we additionally searched the abstracts of all articles that cited the identified articles and included articles that dealt with the purchasing of management consulting services to identify additional articles. Moreover, we expanded our search to edited books on management consulting that have been frequently cited in the analyzed articles (Clark and Fincham, 2002; Furusten and Werr, 2005; Kipping and Engwall, 2002). We identified five additional articles, supplying a total of 15 articles.

2.1. Preferred supplier programs

Although we identified only a few studies that focused on preferred suppliers, we extracted some important insights, which are summarized in Table 1.

In the first step, we analyzed key characteristics of preferred suppliers mentioned in the literature. A frequently mentioned characteristic of preferred suppliers is their significant importance for buying companies (Dorsch et al., 1998; Ruben et al., 2007). For instance, preferred supplier status is granted to suppliers that meet high quality standards (Dorsch et al., 1998; Ruben et al., 2007) and that produce high-quality products (Halley and Nollet, 2002; Noonan and Wallace, 2004). Furthermore, the literature found that an additional characteristic of preferred supplier relationships is the long-term relationship between buyer and supplier (Crewe and Davenport, 1992; Dorsch et al., 1998; Druker and Stanworth, 2001), which is likely the result of the high strategic importance of (preferred) suppliers for buyers.

Regarding companies' reasons for establishing PSPs, the literature argues that one of the most important reasons is that companies seek to reduce the number of business contacts to a reasonable few by focusing on a limited number of preferred suppliers (Dorsch et al., 1998). Moreover, it is also argued that PSPs are established because of a shift in focus from product price to product quality (Crewe and Davenport, 1992; Ulaga and Eggert, 2006). For instance, Ruben et al. (2007) found that supermarkets looked for a selective group of suppliers that were able to guarantee the delivery of products and granted them the status of preferred supplier, since customers put greater emphasis on product quality and safety and less emphasis on price.

Another advantage of having established PSPs is a reduction in transaction costs, which comprise all costs incurred in economic exchanges (Williamson, 1985). Transaction costs are distinguished in costs that occur before (*ex ante*) and after (*ex post*) transactions. Examples for *ex ante* transaction costs are search and information costs (e.g., searching for suppliers or collecting information about prices) as well as bargaining costs (e.g., specifying contracts), while *ex post* transaction costs are, for instance, policing and enforcement costs such as controlling transaction partners (Dahlman, 1979). According to Williamson (1981), the level of transaction costs depends (1) on the uncertainty of the transaction, (2) how often a transaction has occurred, and (3) the degree of transaction-specific investments required. A goal of transaction cost theory is to specify under which conditions it is beneficial for companies to manage transactions internally or externally—i.e., by purchasing goods or services from suppliers. The literature argues that PSPs significantly reduce transaction costs. For instance, by reducing the number of suppliers, buying companies significantly reduce transaction costs (Ruben et al., 2007)—for instance, search and information costs. Moreover, since buyers have experience with their preferred suppliers and have gathered information about them,

Table 1

Studies dealing with preferred suppliers or preferred supplier programmes.

Author	Topic	Definition of preferred suppliers	Reasons for establishing preferred suppliers	(Dis-)Advantages of preferred suppliers
Cox et al. (2005)	The aim of the article is to provide evidence about sourcing strategies for indirect spend.	Suppliers with whom a company has long-term relationships	–	–
Crewe and Davenport (1992)	The paper analyses the changing relationships between clothing manufacturers and retailers.	Suppliers with whom the buyer has long term, close working relationships	Greater emphasize on product quality and less emphasize on price	–
Dorsch et al. (1998)	The study aims to document the existence of the vendor stratification concept by examining the differences in the relationship quality that customers perceive to exist between their approved vendors.	Suppliers with whom a company has long-term relationships	To reduce the number of business contacts to a reasonable few	–
Druker and Stanworth (2001)	The paper examines the relationship between private recruitment bureaus and their clients, with particular attention to the recruitment and selection of temporary workers.	Suppliers with whom a company has long-term relationships	–	–
Gosling et al. (2010)	The paper examines how buyers can configure their supply networks to achieve supply chain flexibility.	–	–	Advantages: reduced transaction costs in the contacting and contracting of the suppliers
Halley and Nollet (2002)	The study analyses the contribution of preferred suppliers to a buying organization's supply chain.	Suppliers that are better able to offer a renewed product of improved quality at an advantageous price and with whom a company has long-term relationships	–	Advantages: risk sharing, increased coordination/ integration of skills; Disadvantages: problems in selecting the right preferred suppliers
Hansen and Bush (1999)	The study integrates previous work regarding service and product quality to develop and demonstrate tools useful in evaluating total product quality.	–	Quality demands	–
Hurkens et al. (2006)	The paper presents the results of a study conducted at a leading vehicle glass repair and replacement organization regarding the trade-offs to be made when developing a strategically total cost of ownership model.	–	–	–
Noonan and Wallace (2004)	The paper describes the development of a diagnostic instrument for contract manufacturers to align core competencies to developing value criteria.	Suppliers that meet high specific performance requirements	–	–
Parry et al. (2006)	The paper assesses the applicability of supplier models by Cox and Kraljic that link relationship types to core competence.	Suppliers that are judged to be the best at providing complementary goods or services of medium asset specificity, but low strategic importance to the firm	–	–
Radkevitch et al. (2009)	The study investigates an online market for IT services to see if in this market setting, added value from a portfolio approach can still be found.	Suppliers who get the largest proportion of buyer's business in terms of the number of projects compared with other suppliers.	–	–
Ruben et al. (2007)	The paper analyses the conditions that motivate Asian supermarkets' choices for vegetable sourcing through wholesale procurement or preferred supplier systems.	–	Consumers put greater emphasize on product quality so that buyers look for a selective group of suppliers that are able to guarantee the delivery of these products	Advantages: preferred supplier arrangements save on governance costs and reduce exposure to risks from substandard quality and out-of-time delivery; Disadvantages: preferred supplier arrangements involve higher (fixed and variable) production and handling costs
Uлага and Eggert (2006)	The paper investigates avenues for differentiation through value creation in business-to-business relationships.	–	–	–

contracting becomes less risky and buyers' uncertainties about supplier quality are reduced (Gosling et al., 2010). Furthermore, PSPs reduce the risk of opportunistic behavior by suppliers, which reduces buyers' governance costs and perceived risk in the transaction (Ruben et al., 2007). On the other hand, a significant disadvantage of PSPs is that they do not necessarily save real costs

(Ruben et al., 2007), for instance compared to wholesale purchase, in which buyers frequently change their suppliers to buy at the lowest price. Furthermore, Halley and Nollet (2002) found that preferred suppliers often do not contribute as much as expected to a company's supply chain, since there can be problems in selecting the right preferred suppliers.

2.2. Purchasing consulting services

Referring the purchasing of consulting services we classified the reviewed articles into three broad categories: (1) reasons for purchasing management consulting services, (2) criteria used to select management consultancies and (3) formalization of the consulting process. Table 2 summarizes the main facts of the analyzed studies and describes their methodology and sample.

Regarding the first category, researchers identified different reasons for purchasing management consulting services. On the one hand, these reasons relate to economic rationality, meaning that clients purchase consulting services to gain access to knowledge, which helps them to increase their profits (Iyer et al., 2006; Richter and Niewiem, 2009; Soriano, 2004). On the other hand, Furusten (2009) showed that clients purchase consulting services to help clients reduce the uncertainty they experience. Therefore, he argued that consultants represent 'agents of stability' rather than 'agents of change'.

Most articles, however, focused on clients' criteria when selecting consulting services. As clients have difficulty assessing consultants' qualities because of the intangibility of the service and the lack of a codified body of knowledge, research revealed that clients' most important selection criteria include personal experiences with consultants, consultants' reputations, and personal trust in consultants' qualities (Corcoran and McLean, 1998; Dawes et al., 1992; Glückler, 2005). In line with Glückler and Armbrüster's (2003) findings on the lack of institutional trust (e.g., consultants need no formal qualification to call themselves "consultants"), clients rely on quality substitutes such as personal experiences or recommendations to select qualified consultants.

The third category focuses on companies which formalize their purchasing of consulting services. Research showed that companies seek this approach by centralizing the purchasing processes, e.g., purchasing departments or purchasing professionals manage the purchasing of consulting services (Bäcklund and Werr, 2005; Werr and Perner, 2007). As Bäcklund and Werr (2005) argued, by centralizing the purchasing process, companies aim to break the personal ties between managers and consultants. Furthermore, they argued that PSPs for consulting services are one measure to reach this goal and that PSPs might act as governance mechanisms, whose aim is to control managers and consultants by establishing a corporate relationship (i.e. between the client company and a management consultancy), as opposed to a personal relationship (i.e. between an individual manager and a consultant). Similarly, Werr and Perner (2007) observed an increased involvement of purchasing professionals in the procurement of consultants, which results in the establishment of PSPs for consulting services. These PSPs for consulting services comprise measures such as master agreements with the preferred consultancies or reducing the number of consultancies to a smaller selection available to managers. However, Höner and Mohe (2009) revealed in their case study on a German client company that managers may try to bypass the company's purchasing procedures to work with the managers' preferred consultants. Similarly, Lindberg and Furusten (2005) found that managers deliberately ignore governmental rules that would break the personal ties between managers and consultants to purchase the services of their preferred consultants. These studies indicate the efforts of some companies to centralize the purchasing of consulting services, but for several reasons managers try to bypass these rules.

2.3. Research questions

Our review of the literature on PSPs and on the purchasing of consulting services revealed that although PSPs for management consulting services have already been identified by researchers (Bäcklund and Werr, 2005; Werr and Perner, 2007), detailed

analyses have so far been missing. However, the literature on PSPs reveals that these programs can have a significant influence on buyers' performance and their relationships with suppliers. Therefore, we argue that research on consulting services, particularly the literature on the purchasing of consulting services, would benefit from a detailed analysis of PSPs for consulting services. Particularly, our exploratory study focuses on four research questions:

1. Why have companies (not) established PSPs for consulting services?
2. Do companies with PSPs for consulting services differ from companies without this mechanism regarding their selection criteria for consultancies?
3. Do companies with and without PSPs for consulting services differ in their centralization of the purchasing of consulting services?
4. Do companies with and without PSPs for consulting services differ in their assessment of problems associated with the purchasing of consulting services?

Our first research question aims at reducing a significant gap in the literature. Although some authors have argued that buyers establish PSPs to strengthen ties with their suppliers (e.g. Dorsch et al., 1998) or to reduce transaction costs (Ruben et al., 2007), these assumptions lack empirical analysis, since there are few studies that directly ask companies for their reasons for (not) establishing PSPs, particularly for consulting services. Therefore, this research question pinpoints which factors influence decisions about the establishment of PSPs for consulting services. This analysis is important for research on PSPs for consulting services in order to investigate whether transaction cost considerations are indeed the main driver for the establishment of such programs, as argued by previous studies (see e.g., Ruben et al., 2007).

Our second research question derives from literature focused on selection criteria for consultancies (e.g., Bennett and Smith, 2004; Dawes et al., 1992; Glückler and Armbrüster, 2003). While these studies provide evidence that relational criteria such as personal relationships and prior experiences with consultants are among clients' most important selection criteria, thus far no study has investigated whether these criteria differ among companies that have already established PSPs for consulting services. Recalling the findings of Werr and Perner (2007), we might expect that companies with PSPs attach more significance to economic selection criteria, while companies without PSPs might still use relational criteria. This analysis is important for the literature on the purchasing of consulting services in order to gain insights into how PSPs for consulting services impact the purchasing of such services, in this case the significance of selection criteria.

Our third research question provides insights into companies' (de)centralization of the purchasing process, which refers to the entire purchasing process, from defining the contract assignments and selecting qualified consultancies to evaluating the service. This analysis investigates whether companies with PSPs for consulting services tend to centralize their purchasing of consulting services as compared to companies without such PSPs. The analysis reduces a significant gap in the literature on the purchasing of consulting services. While prior studies indicated that companies might differ in their degree of centralizing the purchasing of consulting services (Werr and Perner, 2005), we do not know which parts are managed centrally or decentrally. Reducing this gap contributes to growing research on purchasing centralization, both in general (Karjalainen, 2011) and with regard to consulting services (Werr and Perner, 2007).

Our fourth research question is motivated by the literature pinpointing problems that purchasing professionals and other

Table 2
Studies dealing with the purchasing of management consulting services.

Author(s)	Topic	Method	Countries	Sample	Participants	Findings
Bäcklund and Werr (2005)	Formalization of the procurement of management consulting services	Interview and case study	Sweden	16 organizations (interviews), Unknown number (case study)	Top 20 largest Swedish companies	More formal handling of consultants (strategies: collaboration and competition) involve severe (intentional) disturbance of the consultant-client relationship
Bennett and Robson (2004)	Comparison of the use of legal contract and personal trust for the relationships between clients and providers of business advice	Survey	UK	210 questionnaires	Clients	Consultants are predominantly governed by a mixture of contract relations with trust relations, while about one-fifth of clients solely rely on personal trust.
Brotheridge and Power (2007)	Developing criteria to guide management teams in the purchasing of consulting services	–	–	–	–	To maximize the benefits of using consultants, clients must precisely define what they expect from consultants and remain objective in evaluating the proposed program.
Corcoran and McLean (1998)	Selection criteria for management consultants in public sector	Interview	Australia and UK	Unknown number of interviews	Departmental decision makers	Clients in the public sector find it rather easy to assess consultants and their work.
Dawes et al. (1992)	Selection criteria for management consultants	Survey	Australia	253 questionnaires	Unknown	Reputation, personal ties and experiences are the main selection criteria.
Furusten (2009)	Analysis of buyers' and sellers' description of what management consulting represents	Interview	Sweden	16 interviews	Clients and consultants	Management consultants play the role of improvisers and thereby help clients reduce the uncertainty they experience.
Glückler (2005)	Examination of the key mechanisms of foreign market entry of management consultancies	Interview and survey	UK, Germany and Spain	70 interviews and 490 questionnaires	Consultants	Personal trust and reputation have been identified as key mechanisms of foreign market entry, while price considerations are less important.
Glückler and Armbruster (2003)	Clients' bridging of trust when purchasing consultants	Secondary data analysis	Germany	unknown	–	Public reputation, experience-based trust, networked reputation and competitive price are the most critical choice criteria for clients.
Höner and Mohe (2009)	Analysis of barriers that impede the formalization of companies' dealings with consultancies	Interview and survey	Germany	12 interviews and 143 questionnaires	Managers in a client company	As barriers that impede the formalization and centralization of the purchasing of consultants, the study identified managers' departmentalism, authority protection and laziness.
Iyer et al. (2006)	Analysis of whether procurement of consulting services follows logical patterns consistent with microeconomic principles	Secondary data analysis	USA	284 companies	–	Clients purchase consulting services to develop organizational capabilities they lack.
Lindberg and Furusten (2005)	Analysis of the purchasing process in public sector organizations	Interview	Sweden	25 interviews	Clients and consultants	Public procurement act is treated as voluntary standard; practice is governed by norms like informal inquiries and contracts (i.e. close personal relations and trust)
Richter and Niewiem (2009)	Analysis of the relationship between the knowledge requirements of projects and clients' decisions to procure management consultants	Interview	Germany	41 interviews covering 86 projects	Clients	The findings provide evidence for a close client–consultant relationship. Furthermore, clients use the services of management consultants to procure functional or industry-specific knowledge.
Rusten et al. (2005)	Impact of distance on the selection of management consultants	Case study	Norway	3 case studies of client companies	Clients and consultants	Purchasing of dislocated expertise to maintain social distance from the firm's local milieu.
Soriano (2004)	Analysis of clients' reasons for purchasing management consultants	Survey	Spain	108 questionnaires	Clients	While clients in public companies used consultants to obtain as many votes as possible, clients in private firms sought to obtain returns from their investments in consultants
Werr and Perner (2007)	Involvement of purchasing professionals	Interview and case study	Sweden	6 case studies and an unknown number of interviews	Purchasing professionals	Purchasing professionals are only, to a small part, involved in the purchasing of management consultants.

organizational members responsible for the purchasing of consulting services experience when purchasing consulting services (see e.g., Engwall and Eriksson, 2005; Ernst and Kieser, 2002; Glückler and Armbrüster, 2003; Sharma, 1997). For instance, we analyze whether purchasers of consulting services in companies with and without PSPs for consulting services differ in their assessment of problems connected to the selection of management consultancies. This analysis is important for managerial practice, since it indicates whether PSPs might support managers in the difficult task of purchasing consulting services (Smeltzer and Ogden, 2002).

3. Methods

3.1. Data collection

Since PSPs for consulting services have been largely neglected in the purchasing literature, we conducted an explorative study among the 500 largest private sector companies in Germany. We focused on the top 500 private sector companies in Germany for two reasons: First, previous studies indicated that heavy users of consulting services might be more likely to establish PSPs for consulting services than light users (Werr and Perner, 2007). Since we expected a positive correlation between company size and consulting expenditures, we set our focus on larger companies. Second, we conducted our research in Germany, since industry information indicated that the German consulting market is the largest in Europe (FEACO, 2010), so that it is likely that the companies are rather heavy users of consulting services. We used the survey method in order to compare Werr and Perner's (2007) findings from qualitative case studies with findings from a large scale survey in order to analyze to what extent their findings are generalizable to the wider population of private companies.

To identify the population we drew on data provided by the Hoppenstedt database (2008), a large German provider of company information. This database includes rankings of the largest companies in Germany according to turnover and number of employees. We devised a new ranking system, weighing turnover and number of employees equally in order to obtain a balanced sample of companies from both capital-intensive and labor-intensive industries. On the basis of our modified scoring system, we compiled a new list of the 500 largest companies in Germany, which we proceeded to contact.

To gather our data, we used a web-based survey communicated to the selected companies by email. Web-based surveys have a number of advantages: first, managers usually have access to their email accounts from any location, so they can complete questionnaires whenever and wherever they wish. Second, such surveys are quicker to process and cost less than surveys forwarded by conventional post, especially when samples are large (Cook et al., 2000). Third, it is possible to individualize the questionnaire (e.g.,

giving respondents the option of skipping follow-up questions) by programming responding paths in a user-friendly way (Fricker and Schonlau, 2002). At the same time, web-based surveys also have certain disadvantages, such as potentially lower response rates (Cook et al., 2000) or a greater rate of incomplete results compared to posted surveys (Bachmann et al., 1996). In order to minimize these disadvantages, we followed the recommendations offered in the literature such as having pre-contacts with the respondents (Cook et al., 2000) and personalizing e-mail correspondence (Cook et al., 2000; Heerwegh, 2005; Heerwegh et al., 2005), which significantly increase web-based survey response rates.

Before contacting the companies, we ran a pre-test with practitioners working either in the purchasing department of a large German company or having several years of experience in dealing with management consultancies as well as with scholars specialized in management consulting services to ensure the reliability of our survey. On the basis of their responses, we rephrased questions and items to improve clarity and eliminate misunderstandings. After revising the questionnaire, we called each company included in our sample to identify a contact person who was involved in the company's dealings with management consultancies or, in the absence of such a person, a manager in the purchasing department, since previous research has shown that purchasing departments have a good understanding of the process of purchasing management consultant services, even if the department is not directly involved in that process (Werr and Perner, 2007). Subsequently, we contacted the contact persons personally to outline the purpose and the procedure of our web-based survey. At this stage, 91 contact persons declined our invitation to participate in the study. Most of those (85.7%) referred to a general company policy of rejecting any invitation to participate in a survey. Others (7.7%) refused because of an unmanageable number of requests to participate in surveys and 6.6% because of the sensitivity of the subject. Following these phone calls, we sent personalized emails to the remaining 409 participants. A total of 79 companies stated that they either have not used any management consulting services recently (17.7%) or that questions on the use of management consulting services are handled by their parent company (82.3%). Consequently, we excluded these companies from our sample and sent two reminder emails, each about one week after the last contact date, to the remaining 330 companies. We received a total of 61 completed surveys (response rate: 18.5%). However, since the respondents, in some cases, selected not to answer a particular question, we report a smaller sample for some items. Although 61 responses are regarded as too few for more sophisticated statistical analysis such as regression analysis (Bartlett II et al., 2001), we argue that the low total number of responses does not limit our analysis, since our study is more interested in gaining information about PSPs for consulting services than in testing hypotheses.

Table 3 presents our sample according to number of employees, turnover, and type of industry. Since we had information

Table 3
Data on the survey sample and the respondents' companies.

Sample description							
Turnover (in bn euro)	Sample (in %)	Respondents (in %)	Number of employees	Sample (in %)	Respondents (in %)	Type of industry	Respondents (in %)
< 1.5	82 (16.4)	13 (21.3)	< 5000	111 (22.2)	11 (18.0)	Banking and insurance	12 (19.7)
1.6 to 2.5	156 (31.2)	9 (14.8)	5001–10,000	148 (29.6)	18 (29.5)	Mechanical engineering	8 (13.1)
2.6 to 5.0	113 (22.6)	11 (18.0)	10,001–20,000	114 (22.8)	16 (26.2)	Telecommunication	6 (9.8)
5.1 to 15.0	83 (16.6)	12 (19.7)	20,001–35,000	54 (10.8)	3 (4.9)	Energy	5 (8.2)
15.1 to 40.0	34 (6.8)	6 (9.8)	35,001–50,000	28 (5.6)	3 (4.9)	Pharmaceuticals	5 (8.2)
40.1 to 75.0	15 (3.0)	5 (8.2)	50,001–100,000	31 (6.2)	6 (9.8)	Consumer goods	4 (6.6)
> 75.0	17 (3.4)	5 (8.2)	< 100,001	14 (2.8)	4 (6.6)	Others	21 (34.4)

about the composition of the sample with regard to company's turnover and number of employees, we were able to test for non-response bias by comparing companies that responded our survey (including the 79 companies of the sample being unable to answer our questionnaire) with those who do not by means of chi-square test ($\alpha=.05$). Our findings indicate a response bias with regard to turnover ($\chi^2=21.658$; $p=.001$) with larger companies responding more frequently than smaller companies, while a response bias with regard to the number of employees could not be identified ($\chi^2=7.432$; $p=.283$). We argue that the bias regarding turnover is possibly the result of higher interest in the topic (purchasing of consulting services), since companies with higher turnovers are said to be more frequent users of consulting services (Mohe, 2005; Werr and Perner, 2007).

3.2. Measures

The items used in the survey are mostly based on previous research in the field of management consulting (a list of all items can be found in Appendix A). This section is structured following our research questions.

Companies' reasons for using PSPs for professional service firms were measured on a seven-point Likert scale. Items were based on findings from previous studies (Bäcklund and Werr, 2005; Werr and Perner, 2007), which identified reasons such as lowering costs, reducing the influence of personal relations between managers and consultants in the selection process as well as positive experiences in other departments. Examples for items include 'We expect a reduction of consulting costs' and 'We aimed to ensure that personal relations between managers and consultants would no longer influence the selection'.

Companies' reasons for not using PSPs for professional service firms were also measured on a seven-point Likert scale. We based items on findings from Werr and Perner (2007) and Höner and Mohe (2009), who reported the most important reasons for not using PSPs for consulting services as: (1) companies' consulting expenditures did not justify such programmes, (2) the costs of a pool are too high, (3) managers insist on budget autonomy, (4) managers insist on involvement in the selection process and (5) managers also insist on involvement in identifying the future demand for consultants. Examples of items included 'The expenditures on consulting services do not justify such programmes' and 'Management insists on its autonomy with regard to the purchase and use of consultants within their budget'.

We based *selection criteria* measures on the studies we identified in our literature review in section 2. We selected the four highest rated criteria in the study by Dawes et al. (1992). Additionally, we included Glückler and Armbrüster's (2003) concept of network reputation and based one item on Corcoran and McLean's (1998) findings regarding the importance of 'value for money' for the purchasing of consulting services. Examples for items included 'Positive experience from former projects' and 'Price/performance ratio'. All items were measured on a seven-point Likert scale.

To analyze the *(de)centralization of the purchasing processes*, companies had to indicate which parts of the purchasing process were centralized (i.e., a particular department within the company has responsibility for dealing with consultancies) or decentralized (i.e., individual managers have responsibility for dealing with consultancies). We distinguished seven parts of the purchasing process (definition of the contract assignment, selection of qualified consultancies, contract negotiation, project steering, project documentation, project evaluation, and coordinating consulting projects within the company) based on the discussion of Kubr (2002).

Finally, respondents had to indicate their assessment of *problems in the purchasing process*, which we identified on the basis of a review of consulting literature (e.g., Clark and Salaman, 1998; Ernst and Kieser, 2002; Höner and Mohe, 2009; Mohe, 2005). The problems refer to practices in the purchasing of consulting services. For instance, respondents indicated the level of difficulty they experienced in the "selection of qualified consultancies" or "contract negotiations" with consultancies. All items were measured on a seven-point Likert scale.

3.3. Data analysis

In order to answer our research questions, we performed several statistical analyses using SPSS 15.0 for Windows. As regards our first research question, we used descriptive statistics, means and standard deviations, in order to analyze companies' reasons for (not) installing PSPs for management consulting services.

Our second research question was analyzed by means of the Mann–Whitney test as well as contingency table. The Mann–Whitney test was used to analyze differences in the attached significance of selection criteria. We decided to use the non-parametric test, since the data were not normally distributed, which is a necessary condition for applying parametric tests such as *t*-test. Ratings of companies with PSPs for consulting services were compared with those of companies without PSPs in order to detect significant differences.

To analyze the third research question, we applied contingency table. In the columns, we distinguished between companies with and without PSPs, while in the rows we distinguished between companies with centralized and decentralized approaches. We performed a chi-square (χ^2) calculation to test for significant differences between the two kinds of companies.

The fourth research question was analyzed by applying *t*-tests that control for differences among companies with and without PSPs for professional service firms regarding their attached significance to problems when dealing with management consultancies. A parametric test was applied, since the data were normally distributed.

3.4. Results

Regarding the use of PSPs for professional services, our data revealed that 43.7% of the companies have already established PSPs for consulting services and 1.4% plan to do so, while 54.9% have not and do not plan to do so. Each PSP addressed a maximum of 150 and a minimum of 3 consultancies. The mean size of this pool was 17 consultancies (SD 31.20), and the median was 8. The high standard deviation indicated that while some companies limited their PSPs for consulting services to a smaller number of consultancies, others still allow their managers to select among a relatively high number of consultancies. However, this finding is probably the result of differences in company size; while the company with a pool of 150 consultancies has a turnover of between €75 billion and €100 billion, the company with a pool of just 3 consultancies has a turnover of between 1.6 and 2.5 billion Euros. Hence, it is very likely that a company with higher turnover is a more frequent user of consulting services and also normally contracts with a higher number of consultancies.

Relating to our research question about companies' reasons for establishing PSPs for consulting services, our data revealed that the main reasons are expected reductions in consulting costs (mean 5.11; SD 1.695) and positive experiences with such programs in other departments (mean 5.07; SD 1.245) (Table 4). Reducing the influence of personal relations between managers

Table 4
Clients' reasons for and against using preferred supplier programmes (PSPs).

	Mean (s.d.)
Reasons for using preferred supplier programmes	
Lowering costs	5.11 (1.695)
Positive experiences in other departments	5.07 (1.245)
Personal relations between managers and consultants should not influence the selection of consultancies	4.63 (1.944)
Reasons against using preferred supplier programmes	
The coordination and maintenance of a pool of preferred suppliers are too expensive	6.03 (.984)
The expenditures on consulting services are not high enough	5.94 (1.390)
Management insists on its autonomy with regard to the purchase and use of consultants within their budget	4.53 (1.958)
Management insists on participating in identifying the future demand for management consultants	4.19 (1.851)
Management insists on its involvement in the selection process of "their" consultants	3.91 (2.021)

Table 5
Mann–Whitney test for differences in the applied selection criteria.

Selection criteria		N	Mean rank	Z	Sig.
Relational criteria					
Recommendation by a third person	PSP	22	29.64	.128	.898
	No PSP	37	30.22		
Personal relation to the consultancy	PSP	23	30.15	−.439	.661
	No PSP	34	28.22		
Reputation of the consultancy	PSP	23	30.78	−.483	.629
	No PSP	35	28.66		
Formal criteria					
Price/performance ratio	PSP	23	26.76	1.029	.303
	No PSP	35	31.30		
Industry expertise of the consultancy	PSP	24	30.60	−.039	.969
	No PSP	36	30.43		
Positive experiences from former projects	PSP	24	29.35	.614	.539
	No PSP	37	32.07		

and consultants in the selection process was a less important reason (mean 4.63; SD 1.944). Companies without PSPs for consulting services stated that their main reasons for not establishing such programs were the high coordination and maintenance costs of pools (mean 6.03; SD.984) and the fact that consulting services expenditures did not justify such programs (mean 5.94; SD 1.390).

Our second research question asked if the usage of PSPs influences the purchasing of consulting services with regard to (1) selection criteria and (2) the decentralization of stages in the purchasing process. The Mann–Whitney test found no significant difference between companies with or without PSPs for consulting services regarding the six selection criteria (Table 5).

Regarding the (de)centralization of the purchasing of consulting services, we found few differences between companies with and without PSPs. Only the selection of management consultancies ($\chi^2=4.26$; $p<.05$) and the coordination of consulting projects ($\chi^2=4.616$; $p<.05$) are significantly more frequently centralized in companies with PSPs for consulting services, compared with companies without PSPs, while no difference could be identified between the two types of companies with regard to the five remaining aspects (Table 6).

Finally, we analyzed whether purchasers in companies with and without PSPs for consulting services differ in their assessment of problems associated with the purchasing of consulting services (Table 7). As the data indicate, only one case occurred—the coordination of consulting projects—in which companies with PSPs for consulting services differed significantly from companies that have not established such programs ($t=2.388$; $df=58$; $p<.05$); as the mean value reveals, purchasers in companies with PSPs attach a higher significance to that problem compared to purchasers in companies without PSPs.

Table 6
Cross-tabulation for centralized and decentralized approaches (two-tailed test; * $p<.05$).

Activities	χ^2	df
Definition of contract assignment	.379	1
Selection of qualified consultancies	4.260*	1
Contract negotiation	1.192	1
Project steering	.191	1
Project documentation	2.204	1
Project evaluation	1.222	1
Integrating employees in consulting projects	.120	1
Coordinating consulting projects within the company	4.616*	1

4. Discussion

4.1. Companies' reasons for (not) establishing PSPs for consulting services

First, we analyzed why companies have (not) established PSPs for consulting services. Our findings show that companies' most important reasons for establishing PSPs for consulting services are related to cost considerations. Companies' focus on costs indicates a significant change in their dealing with consultancies, since prior research found that cost was not an important criterion for selecting consultancies (see e.g., Dawes et al., 1992; Glückler and Armbrüster, 2003). However, in the course of globalization, cost pressures have grown, so companies analyze each cost pool for possible savings (Ellram, 1996; Weber et al., 2010). An important reason why consulting services have been excluded from such considerations in the past was that company spending on them was rather low (Werr and Perner, 2007). However, they have become a significant cost factor for companies nowadays (Mohe, 2005). By establishing PSPs for consulting services, companies seek to realize potential for saving costs, such as reducing consultancies' daily rates, as well as for economies of scale and learning processes (Karjalainen, 2011).

Proposition 1. *The higher a company's cost pressures, the more likely is the establishment of PSPs for consulting services.*

Besides saving real costs, PSPs for consulting services might also reduce companies' transaction costs when dealing with consultancies (Gosling et al., 2010; Ruben et al., 2007). In the case of consulting services, transaction costs are particularly high for several reasons: First, there are significant ex ante transaction costs incurred in the purchasing of consulting services, since it is difficult for purchasers to assess consultancies' quality and performance ex ante because of the intangibility of the service (e.g., Clark and Salaman, 1998; Sharma, 1997; Smeltzer and Ogden, 2002). Second, the lack of formal institutions such as

Table 7

t-Test results for the assessment of problems by companies with and without preferred supplier programmes (two-tailed test, **p* < .05).

Problems when dealing with consultancies		N	Mean	T	Df
Definition of contract assignment	Companies with PSPs	24	5.42	.753	58
	Companies without PSPs	36	5.11		
Selection of qualified consultancies	Companies with PSPs	24	5.46	–.843	58
	Companies without PSPs	36	5.81		
Contract negotiation	Companies with PSPs	23	5.17	.281	57
	Companies without PSPs	36	5.03		
Project steering	Companies with PSPs	24	5.08	.857	58
	Companies without PSPs	36	4.78		
Project evaluation	Companies with PSPs	24	5.17	.753	57
	Companies without PSPs	35	4.89		
Coordinating consulting projects within the company	Companies with PSPs	24	5.04	2.388*	58
	Companies without PSPs	36	4.00		

legal, professional, and product standards in the consulting industry further increases clients' uncertainty and perceived risk when purchasing consulting services (Glückler and Armbrüster, 2003). Third, ex post transaction costs might also be high for consulting services, since companies might fear opportunistic behavior from consultants and company managers (Fincham, 2003; Höner and Mohe, 2009), which increases control costs.

PSPs for consulting services might significantly reduce these transaction costs. First, they reduce ex ante transaction costs involved in searching for qualified consultancies over the long term. Although the initial selection of consultancies for PSPs is likely to be accompanied by high transaction costs (e.g., costs to gather information about consultancies or costs related to the bargaining of contracts), they amortize over the years, since each additional selection and contract negotiation with preferred consultancies incurs lower transaction costs (Langlois, 1992; Williamson, 1981). Second, PSPs for consulting services might also reduce ex post transaction costs by reducing companies' risk of opportunistic behavior (Höner and Mohe, 2009). Research revealed that the manager–consultant relationship is susceptible to opportunistic behavior to the detriment of the company (Höner and Mohe, 2009; Werr and Styhre, 2002). For instance, managers select consultants who promote managers' careers, and consultants might feel more committed to managers than to the client company (Karjalainen and van Raaij, 2011; Werr and Styhre, 2002). Furthermore, it is likely that trusting relationships between purchasing professionals and consultants might emerge because of their continuous interactions (Williamson, 1993), which further reduces transaction costs. Additionally, PSPs might also reduce transaction costs related to companies' needs for governing suppliers. "Preferred consultancies" have an incentive to invest significant efforts in consulting projects, since high performance guarantees continuous projects and profits, while poor performance might lead to loss of their preferred supplier status.

Proposition 2. *In the long run, the establishment of PSPs reduces companies' transaction costs related to purchasing and dealing with consultancies.*

However, our findings indicated that cost considerations are also the most important reason for not establishing PSPs for consulting services. We explain this finding with costs that are related to establishing PSPs for consulting services. A pool of preferred consultancies incurs significant expenditures: for instance, employing (purchasing) professionals who are

responsible for selecting preferred consultancies, coordinating consultancies within the company, and maintaining the pool. Therefore, if these expenditures exceed the calculated costs saved by establishing PSPs for consulting services (e.g., reduced daily consulting fees), it is unfavorable for companies to establish PSPs.

We argue that infrequent users of consulting services are particularly sensitive to this rationale, since they scarcely benefit from reduced consulting rates but have to bear all costs of the program. Moreover, we argue that they scarcely benefit from reduced transaction costs. As argued above, the initial establishment of a pool of preferred consultancies involves high transaction costs that amortize the longer and more intensively the preferred consultancies are used. However, if companies infrequently use consulting services, it is likely that the costs involved in establishing PSPs are higher than the program's benefits (Werr and Perner, 2007). For instance, Williamson (1981) argued that the more frequently a transaction recurs, the lower the level of transaction costs is. Therefore, we argue that establishing PSPs for consulting services might be unfavorable for infrequent users of consulting services.

Proposition 3. *The less frequently companies use consulting services, the less likely is the establishment of PSPs for consulting services.*

4.2. Differences regarding selection criteria for consultancies between companies with and without PSPs for consulting services

Our second research question investigated whether companies with PSPs for consulting services differ from companies without this mechanism in regard to selection criteria for consultancies. Regarding the attached significance to selection criteria when purchasing consultancies, we found no differences between companies with and without PSPs for consulting services. Both types of companies attached a high degree of significance to relational criteria such as personal relations and recommendations by a third party. At first glance, the finding is surprising, as one might expect that purchasing professionals would attach greater significance to more formal selection criteria such as "price/performance ratio" or "industry expertise of the consultancy" than individual managers in companies without PSPs (Bäcklund and Werr, 2005; Werr and Perner, 2007). However, we argue that using formal selection criteria is rather difficult in the case of consulting services. Smeltzer and Ogden (2002) found that even purchasing professionals characterize the purchasing of services as complex (see also Ellram et al., 2004). We argue that

this complexity is reinforced in the case of consulting services. First, consulting services share general characteristics of services, such as intangibility, which makes it harder for clients to make a selection based on quantifiable criteria (Clark and Salaman, 1998; Smeltzer and Ogden, 2002). Clients cannot be certain whether they have made the right choice, as it is practically impossible to measure the quality of the service a particular consultant offers in advance. Second, the lack of a formalized body of knowledge in respect to consulting—as is common for professions like accounting (Lowendahl, 2000)—further increases these difficulties. For instance, since anyone can claim to be a “consultant” (Glückler and Armbrüster, 2003), clients are limited in their ability to assess consultants’ qualifications in the pre-purchasing stage. These uncertainties increase clients’ ex ante transaction costs when purchasing management consultants (Glückler and Armbrüster, 2003). To reduce ex ante and ex post transaction costs, managers as well as purchasing professionals attach a high degree of significance to relational selection criteria. For instance, selecting consultancies based on their reputation reduces transaction costs, since reputation produces trust and reduces clients’ needs for safeguards in and after a transaction (Bergh et al., 2010). Similarly, selecting consultants based on recommendations by third parties reduces transaction costs, since network trust reduces clients’ perceived risk of suppliers’ opportunistic behavior (Glückler and Armbrüster, 2003), which reduces the need for controlling consultancies. Additionally, bargaining costs and costs related to resolving disputes are lower if client and consultant have previously worked together, since contracts and agreements from prior projects can be used in new projects too.

Proposition 4. *Companies with and without PSPs for consulting services attach a high degree of significance to relational selection criteria to reduce ex ante and ex post transaction costs.*

4.3. Do companies with PSPs for consulting services differ in the (de)centralization of the purchasing process?

Our third research question investigated whether companies with and without PSPs for consulting services differ in the centralization of the purchasing of consulting services. Our findings reveal that in companies with PSPs, the purchasing department is more involved in the process of managing consulting services, particularly with regard to the selection process and the coordination of consulting projects. This finding indicates a rethinking of the purchasing of professional services, since previous studies stressed that firms often purchase them without the involvement of the purchasing department (see e.g., Axelsson and Wynstra, 2002; Ellram et al., 2004; Smeltzer and Ogden, 2002). The involvement of the purchasing department in the selection process can be explained by the importance of this stage in the purchasing process (van der Valk and Rozemeijer, 2009). Since estimating a consultancy’s quality is difficult because of the uncertainties involved in consulting services (Glückler and Armbrüster, 2003; Mitchell et al., 2003), selection decisions are particularly complicated. Although purchasing professionals also characterize the purchasing of services as being rather complex, they are nevertheless more experienced and are likely to have more information about suppliers of consulting services than managers (Karjalainen, 2011; Mitchell, 1994). Therefore, the decision quality is presumably higher if the decision is made by purchasing professionals. Additionally, the early involvement of purchasing professionals in the purchasing process might reduce the risk of selecting unqualified consultants or managers’ “preferred consultants”. Previous research indicated that managers tend to assign consultants that promote managers’ careers instead of those that are best for companies (Höner and Mohe,

2009; Karjalainen and van Raaij, 2011; Werr and Perner, 2007). Hence, the involvement of purchasing professionals in the selection stage might reduce ex post transaction costs related to the risk of opportunistic behavior by managers. Although most research focused on inter-firm opportunism and resulting transaction costs (see e.g., Wathne and Heide, 2000), we argue that intra-firm opportunism also causes significant transaction costs for companies, which further stresses the need for reducing them.

Proposition 5. *Companies with PSPs for consulting services centralize the selection process to reduce transaction cost related to risk.*

The involvement of purchasing professionals in the coordination of consulting projects can be explained by high cost-saving potentials. Given the case that two departments have similar problems and independently from each other buy from two different consultancies to solve their problems, it is likely that the company’s costs increase, since synergy effects do not come into play (Mohe, 2005). By involving purchasing professionals in such coordination tasks, companies might better realize synergy effects (e.g., if findings from a consulting project in one department can be transferred to another department) and reduce the risk of paying double for the same project (Mohe, 2005).

Proposition 6. *Companies with PSPs for consulting services centralize the company-wide coordination of consulting projects to reduce costs and to realize synergy effects.*

4.4. The influence of PSPs for consulting services on problems in the purchasing process

The fourth research question investigated the influence of PSPs for consulting services on the assessment of problems associated with the purchasing of consulting services. The findings indicate no difference between purchasers in companies with and without PSPs for consulting services. This is surprising, since we would expect that trained purchasing professionals, who are likely to manage the purchasing in companies with PSPs, assess problems in the purchasing of consulting services as being less severe than do untrained managers. However, prior studies found that even trained purchasing professionals find it hard to specify services, define the content of a service level agreement, and evaluate performance (Smeltzer and Ogden, 2002; van der Valk and Rozemeijer, 2009) because of service characteristics such as intangibility and inseparability (Clark and Salaman, 1998). For instance, although purchasing professionals might have had several experiences with suppliers of consulting services, it remains difficult for them to assess quality and to make informed decisions, so they are confronted with problems similar to those found by managers who have less experience in purchasing.

Proposition 7. *The particular characteristics of consulting services (e.g., intangibility and inseparability) reduce the influence of PSPs on lowering the uncertainties experienced by managers and purchasing professionals when dealing with consultants.*

An alternative explanation for the finding is that PSPs for consulting services might not intend to address all problems in the purchasing process. Problems such as the evaluation of consulting services or the definition of the contract assignment do not necessarily fall into the scope of PSPs for consulting services. Moreover, firms can look at contracting and evaluating services not only as problems when dealing with consultancies, but also as part of the solution. For instance, problems such as performance evaluation might be reduced if performance appraisals are specified in the contracting stage (Axelsson and Wynstra, 2002). Specifying a project goal such as improving productivity by

5 percent might help to better assess consultancies' performance (van der Valk and Rozemeijer, 2009).

5. Conclusion

5.1. Research implications

Our study has several implications for research on consulting services and on PSPs. Regarding the literature on the purchasing of consulting services, our study indicates that the current focus on the client–consultant relationship—i.e., the relationship between consultants and managers (see e.g., Fincham, 1999; Werr and Styhre, 2002)—might be too narrow and should be extended to the interaction between purchasing professionals and consultants, and between purchasing professionals and managers. We argue that the purchasing professional–consultant–manager relationship might present a so-called service triad (see e.g., Choi and Wu, 2009a, b; van der Valk and van Iwaarden, 2011): the purchasing professional represents the buyer, while the consultant, as subcontractor, delivers the services directly to the manager, who is the end customer. This new perspective might have significant implications for research. For instance, service triads indicate that purchasing professionals lack control over service delivery and service quality, since they are detached from the service (van der Valk and van Iwaarden, 2011); only managers are able to evaluate the service. Moreover, consultants are confronted with two principals (purchasing professionals and managers), which might complicate service delivery, since the two principals do not necessarily pursue the same goals (Höner and Mohe, 2009; Werr and Perner, 2007). Furthermore, we extend the literature on clients' selection criteria for providers of consulting services. While prior studies provided insights into companies' selection criteria (Corcoran and McLean, 1998; Dawes et al., 1992), we additionally reveal that the involvement of purchasing professionals in the purchasing of consulting services does not significantly influence selection criteria. This finding questions prior studies that indicated that the involvement of purchasing professionals might lead to a formalization of the purchasing process and to the use of formalized selection criteria, in contrast to relational ones (Bäcklund and Werr, 2005; Werr and Perner, 2007). Moreover, we extend prior studies (Werr and Perner, 2007) by showing that the involvement of purchasing professionals is limited to some crucial parts of the purchasing process (e.g., selection of consultancies). Thereby, we provide evidence that although the involvement of purchasing professionals increased, managers still have at least some control over the purchasing of consulting services, which supports findings from prior studies (Höner and Mohe, 2009; Lindberg and Furusten, 2005). Additionally, our study indicates the applicability of transaction cost theory to clients' purchasing decisions regarding consulting services. Although transaction cost theory has received considerable attention in the purchasing literature (see e.g., Dabhilkar, 2011; Ellram et al., 2008), research on the purchasing of consulting services has so far been rather atheoretical, with few studies explicitly explaining their findings with insights from theories such as transaction cost theory (for exceptions, see e.g., Armbrüster, 2006; Glückler and Armbrüster, 2003). Our study provides evidence that transaction cost theory offers important insights into companies' purchasing practices when buying consulting services. For instance, the theory could provide explanations for differences in the purchasing of consulting services between larger and smaller companies (Werr and Perner, 2007).

Furthermore, our findings also contribute to the literature on PSPs. First, we extend research on PSPs by focusing on such

programs for business services, in this case consulting services. As our study indicates, PSPs for consulting services are established in almost 44 percent of the respondent companies, which indicates that purchasing research is well advised to start focusing on PSPs for business services. Second, our results support previous studies (Gosling et al., 2010; Ruben et al., 2007) that argued that (transaction) cost considerations influence companies' decisions for implementing PSPs, thereby indicating that findings from PSPs for goods can be—at least to some extent—transferred to PSPs for business services.

5.2. Managerial implications

Our study has several implications for managerial practice. Although actors in the capital market might pressure companies to reduce their spending on business services such as management consulting, our study has shown PSPs as only a part of the solution. Since these programs entail significant investments in the supplier base as well as efforts to build up such programs, they are not profitable for infrequent purchasers of consulting services. Additionally, our study also has practical implications for consultancies. PSPs might seriously impact consultancies' business, since companies might demand the reduction of consulting fees from their preferred consultancies in exchange for continuous assignment. For consultancies, this might force a decision on whether joining a PSP is a strategic option that generates acceptable profits or it is beneficial for them to lose a client—in the worst case—but to sustain a higher level of consulting fees.

5.3. Limitations

The generalizability of our findings is constrained by at least three factors: (1) we surveyed only German companies, (2) we surveyed companies with turnover of more than €1 billion, and (3) we investigated PSPs for a special kind of professional service, i.e., management consulting. Regarding the first factor, we have no data to control for whether our findings are particular to German companies. However, findings from case studies on Swedish companies identified similar approaches (Werr and Perner, 2007), which indicate that the findings might be, to some extent, generalizable for similar national cultures. Second, since we have no data about PSPs for consulting services in smaller companies, we do not know the applicability of our findings to them. Though, we argue that it is unlikely that smaller companies have established such programs, since even in our sample of companies with a turnover of at least €1 billion, companies have indicated that their consulting expenditures were not high enough to justify such programs. Third, we argue that the findings are to some extent applicable to other business services, since PSPs can also be observed for other suppliers of business services. For instance, some large companies such as DuPont reduced the number of their law firms by about 90% in the 1990s (Reisinger, 2011). Although we have no further insights into companies' reasons for that, we argue that it is likely that their reasons are quite similar to those of the companies in this study, since purchasing law services and consulting services incurs high risks for companies (Mitchell, 1994).

Additionally, the findings of our study might be influenced by the fact that we interviewed one contact person per company, which could introduce a “key informant bias” (Kumar et al., 1993). We recommend that subsequent studies gather information from several persons in the same company to capture a broader and therefore more accurate picture of potentially different attitudes towards dealing with consultancies. Additionally, we lack data about our respondents, so we cannot identify for certain who responded to our survey (e.g., managers, users of

services, or purchasing professionals). This limits our findings, since we cannot analyze, for instance, to what extent purchasing professionals' assessment of problems when dealing with consultancies differs from that of other users of consulting services. However, since we identified and personally contacted every respondent, most of them working in purchasing departments, we assume that our respondents had sufficient expertise in the purchasing of consulting services.

5.4. Future research

Our study has several implications for future research. First, we know little about the degree to which PSPs for consulting services are accepted in practice. As Höner and Mohe (2009) have shown in their case study within a large German company, managers are likely to bypass centralized approaches to dealing with management consultancies (see also Lindberg and Furusten, 2005). Therefore, it would be interesting to see whether and under which conditions PSPs for consulting services are accepted by managers and whether the establishment of PSPs hinders managers from selecting their preferred consultancy (Bäcklund and Werr, 2005; Lindberg and Furusten, 2005). Second, since our study focused on the client's side, we have no knowledge about consultants' reactions to PSPs. For instance, it would be worthwhile to analyze which strategies consultancies apply to cope with this rather new situation or how consultancies try to bypass these programs to enhance their competitive position. Probing such issues might provide insights into the question of how consultancies adapt to new environmental situations, such as the introduction of PSPs. Third, further research on the purchasing professional-consultant-manager relationship is recommended to explore the implications of this service triad (Choi and Wu, 2009a; van der Valk and van Iwaarden, 2011).

5.5. Concluding remarks

In sum, our study suggests that researchers need to consider PSPs when analyzing the purchasing of consulting services. Although companies with and without PSPs for consulting services share many similarities, e.g., they attach similar significance to selection criteria for providers of consulting services, companies' purchasing approaches significantly differ. Moreover, we expect that the relevance of PSPs will grow, since an increasing number of companies are likely to establish such programs for consulting services in response to greater cost pressures.

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Appendix A

The original questionnaire was written in German. The present questionnaire has been translated by the authors.
See Table A1.

Table A1

How many employees did your company include in the last financial year?	Less than 5000 employees 5001–10,000 employees 10,001–20,000 employees 20,001–35,000 employees 35,001–50,000 employees 50,001–100,000 employees More than 100,000 employees
What was the total turnover of your company in the last financial year?	Less than 1.5 billion euro 1.6–2.5 billion euro 2.6–5.0 billion euro 5.1–15.0 billion euro 15.1–40.0 billion euro 40.1–75.0 billion euro More than 75.0 billion euro
In what industry does your company operate?	Public administration Transportation Banking and insurance Health services Mechanical engineering Telecommunications Energy Pharmaceuticals Other
Has your company already established a program for preferred management consultancies? [Note for respondents: This program might comprise master agreements with management consultancies, as well as a limited pool of consultancies from which the managers have to choose]	Yes No Planning to do so in the future
What were the main motives of your company for establishing a program for preferred management consultancies? (Seven-point Likert scale: 1 = strongly disagree, 7 = strongly agree)	We aimed to lower costs We aimed to ensure that personal relations between managers and consultants would no longer influence the selection We had a positive experience of similar programmes in other departments
Why did your company not establish a program for preferred management consultancies? (Seven-point Likert scale: 1 = strongly disagree, 7 = strongly agree)	The coordination and maintenance of the pool is too cost-intensive Our expenditure on consulting services is not high enough Our managers insist on their responsibility to identify the demand for consulting services Our managers insisted on being involved in the selection process Our managers insisted on their responsibility for handling the budget allocated to the purchase of consultants
How many consultancies does your preferred supplier program for management consultancies include?	[to be filled in by the respondent]
Please indicate if the following dealings with management consultancies are centralized or decentralized in your company: (1 = centralized, 2 = decentralized) [Note for respondent: centralized = handled by a department; decentralized = handled by an individual manager]	Definition of contract assignment Selection of qualified consultancies Contract negotiation Project steering Project evaluation Project documentation Integrating employees in consulting projects Coordinating consulting projects within the company
Please indicate how important the following selection criteria are in your company when the services of a management consultancy are	Positive experience from former projects Industry expertise of the consultancy Reputation of the consultancy

Table A1 (continued)

purchased (seven-point Likert scale: 1 = strongly disagree, 7 = strongly agree);	Price/performance ratio Personal relation to the consultancy Recommendation by a third party
Please indicate the significance of the following problems as experienced by organizational members, who are responsible for the purchasing and dealing with management consultancies (seven-point Likert scale: 1 = unimportant, 7 = very important):	Definition of contract assignment Selection of qualified consultancies Contract negotiation Project steering Project evaluation Coordinating consulting projects within the company

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